

MAKING GOVERNMENT WORK BETTER COMMITTEE

Meeting Report
May 12, 2004

PRESENT: Chair Nora Campos, Councilmember Chuck Reed, Councilmember Linda J. Le Zotte

ABSENT: Councilmember David Cortese

STAFF: Danielle Kenealey, Kay Winer, Jennifer Carlino, Christine Silva-Burnett, Eduardo Luna, Jerry Silva, Scott Johnson, Andy Heath, Dave Bopf, Cameron Smith, Wandzia Grycz, Michael Ho, David Sykes, Chris Donnelly, Jeff Ruster, Joe Horwedel, Cecil Lawson, Dan Kadomoto, Gitanjali Mandrekar

The meeting was convened at 2:35 PM

a. Investment Report (Finance)

Scott Johnson, Director of Finance gave an overview of the background and analysis of the investment summary report for the quarter ended March 31, 2004.

Andy Heath, Deputy Director of Finance discussed the investment activity trends for the quarter. He stated that the City's portfolio yield has historically performed at a higher level than any of the other benchmarks. He then talked about the Investment portfolio performance measurement for new purchases and their yields versus treasury securities and stated that the new purchase yields have been steadily increasing over time.

Scott noted that included within the report are budget actuals regarding interest earnings; and that based on current market trends and interest the City is receiving, we will be slightly below earnings that were budgeted for interest for the general fund. In general, overall market interest rates remain at a 40-year low. He stated that Staff is attempting to be proactive as well as sensitive as regards risk aversion and is looking at extending maturities to an average of 520 days. He added that in May 2004, the federal government during their last committee meeting eliminated a long-standing reference to monetary policy patience that was adopted in 2003, signaling an increased willingness to raise interest rates. Staff will continue to look at various indicators to determine where and how much investments should be made for the duration of the investment. He reported that the Mayor has recently given a decision on a recommendation to appoint public sector members for the investment committee.

Chair Campos wanted to know who was on the committee and how many new members would be coming aboard.

Scott replied that it is currently comprised of city staff and that there would be three new public sector members. Kay Winer, Deputy City Manager commented that it had been at least three years since there had been outside members on the committee and Staff is looking forward to working with an expanded committee.

Councilmember Reed stated that he liked receiving the report electronically and wants to be able to send it out to constituents, but is reluctant to due to a fear the perception would be that if the city has such a large dollar amount, why then is there a budget problem. He would like to provide an explanation of where the money comes from and where it goes.

Scott replied that the monthly financial report that is attached to the Budget Office's report shows the City's General Fund cash position and that it would be helpful to show that, broken out by fund, as well. Scott stated that this summary information will be provided in future reports.

Councilmember Reed said that would be good to make it more simplified.

Upon motion of Councilmember Reed, seconded by Councilmember LeZotte, the Committee accepted the staff report.

- b. Information Technology Audit (Auditor) – Deferred until August
- c. Update of Major Information Technology Projects (Information Technology)

Wandzia Grycz, Information Technology CIO stated that current projects associated with technology for the new civic center are not included in the report today and are being provided to Council separately, adding that the CUSP reporting also would not be included and will be brought back to Council after the thirty-day review. She noted that the class registration and payments online project (also part of e-government) is on hold and recommended reporting be suspended until the project is reinitiated (anticipated to be reevaluated in January 2005).

Wandzia introduced Cecil Lawson, Police Department CIO to give an overview of the Automated Information System - Automated Reporting System project.

Cecil explained the installation of the mobile data computers, hardware portion, of the automated reporting system, allowing police officers to electronically send reports and access them in their cars, was completed last month. The software portion of this has gone through a factory acceptance test and some errors were found that have since been corrected. Staff is looking at deployment by late June 2004.

Wandzia introduced Cameron Smith, Police Department Communications Manager to give an overview of the Computer Aided Dispatch/Automatic Vehicle Location project. Cameron stated that the project is going well and is scheduled to go 'live' June 15th, 2004. Staff has completed all interfaces and they are functioning properly. Staff is finishing training and deploying software into the mobile computers and is otherwise ready to go.

Wandzia introduced Dave Bopf, PBCE – Planning Project Manager to give an overview of the San Jose Permits On-line project.

Dave explained that the IVR phone system was launched in February 2004 and it is working successfully. The contract for the main project agreement ended April 30th, 2004 and all work was completed prior to that date. Testing is completed on the additional Internet functionality piece of the project and it's expected to be done by the end of next week, a week or two behind what's indicated in the report. He stated that usage was up in April to total 1700 unique users on the systems; 40% of which is occurring during non-business hours.

Councilmember LeZotte asked if the 1700 unique hits were all outside of City Staff and if Staff would look at quantifying this.

Dave replied that some of the hits were certainly from City Staff and that it was something they could look into doing.

Councilmember LeZotte wanted to know if any performance targets would be set for usage.

Dave answered that could be done, but Staff had basically attempted to see what the market was, what kind of demand there would be for services before and after hours and did not want to restrict or force users to use the systems, but, rather to provide it as an additional option due to the benefit to Staff in terms of managing costs.

Councilmember LeZotte asked if usage might be tracked over time.

Dave answered that Staff would report on that.

Councilmember Reed requested that the calculation of the savings be added to the reports because it's important to remember that this is not being done just to give better service, but also to be able to see the savings of operating dollars over time.

Dave agreed to this.

Wandzia introduced Dan Kadomoto, Finance Business Systems Manager to give an update on the Integrated Human Resource/Payroll System project.

Dan explained that improvements to the electronic timekeeping system have been completed as far as implementing access to all city departments' timecards electronically. The next piece to roll out is exception reporting which allows management, salaried employees to report only exceptions to their normal workweek. This will be phased in over the next three pay periods. Staff has also been looking at some e-applications (six modules, in all) whereby employees would be able to look at, and even sign up for benefits (during open enrollment periods), look at paychecks, etc., how to order them and if there is any bang for the buck to invest in the next People Soft upgrade.

Wandzia introduced Joe Horwedel, PBCE – Planning Deputy Director to give an overview of the GIS (Geographic Information System) Integration Plan project.

Joe reported that enterprise standards have been brought forward from the technical committee for GIS data standards so that as new layers are created in the mapping system, everyone is working from the same standards and it is being brought forward to the IT Planning Board for adoption. Staff is beginning the second phases of modeling data to align with aerial photos. That contract is being brought forward by Public Works and other departments are joining in to obtain the benefits of a larger contract. There will be a contract going to Council from PW for data modeling to look at how all the different data sets will live in a central repository for GIS. The costs have been identified for that project to put into the new City Hall, but the funding method has not been identified yet. Staff has met with the CMO and other key departments to identify how to start paying for the upkeep of the base map street centerlines now that it is mission critical. Staff has begun to determine what the cost structure might look like for next year's budget cycle so that the CSA's can decide if they want to make that investment or not. Currently, base map maintenance has been paid through various sources that don't necessarily line up with where the real benefits, or users are. Staff is trying to migrate this over time, rather than all at once, during a difficult budget time.

Councilmember Reed asked how this is backed up as it grows and becomes mission critical.

Wandzia replied that one of the proposals that have been brought forward by the technical committee to the steering committee is a recommendation that Staff consolidate the base information onto a new server, residing in an operation center where backups are routine and redundancies could be accommodated. Due to the price tag, Staff is looking at incorporating that into the server consolidation project for the new City Hall in terms of feasibility and the analysis is not yet complete.

Councilmember LeZotte wanted to know, regarding the last two sentences on the CUSP report, why if an outside review was already done, the City Auditor's time is also being spent on this.

Kay and Wandzia explained that this was done before the outcome and the two were not directly related and the outside evaluation was of the process itself. Kay suggested that Scott clarify further.

Scott explained that an outside industry expert, from a technical point of view, rather than an Auditor's, reviewed the process. The information regarding the potential conflict of interest came to light after a decision had already been made.

Wandzia talked about the activities of the IT Planning Board this last quarter. One item had two do with responding to the Mayor and Council's directive associated with the City becoming a wired and wireless city. The planning board had a presentation and discussion regarding the city's current wireless environment and the development of a wireless strategy for the city. This work is currently at the technical level and an executive steering committee has been formed to look at the recommendations prior to bringing it back to the board and then to Council. A second item centered around the "One Voice" regarding how to align the technology and how technology projects should be managed and governed in order to ensure completion. A suggestion was made to the Board that there be a peer review inviting high

level management from a wide variety of agencies to participate with the City with recommendations on how this can be done and is still in the planning stages.

Wandzia introduced Dave Sykes and Michael Ho to give a presentation on the CIP Database Enhancement project.

Michael explained that Staff has completed the project performance measurements report and it is online and working. The People Soft labor data is being linked with the CIP database and is expected to be complete and online within 30 days. The cost estimating and work scope module will be completed by the end of June.

Dave added that most of the work that's been done has been done in-house at a cost savings. A wide range of users, with different levels of access, is currently using the database. The system has been very successful with the contracting and consulting community and that has allowed for savings on advertising.

Michael gave highlights of the CIP database:

- CIP project website
- CIP/RFP hotline
- Free subscription service

Chair Campos asked what the response turnaround time was.

Michael replied that it was 24 hours. He added that there were currently approximately 200 contractors and about 100 consultants subscribing to the hotline service.

Councilmember Reed stated that he liked the fact that the list of plan holders was published and wanted to know how it was done previously.

Dave and Michael replied that interested parties would have to come down, physically for that information.

Michael discussed features of the project schedule summary report comparing the project progress schedule to the base line schedule. Features include information on the project budget and expenditures by funding source, eliminating the need to compile data manually. Regarding the CIP database, PW has a tracking report by division, by month and dollar amounts awarded in the fiscal year. The latest addition to the CIP database is the project on-time, on-budget performance review by CSA, by fiscal quarter. He talked about the web-based project feature that the user can access through a web browser, where issues are color coded according to status i.e., urgent, critical or ongoing. This information may also be downloaded to a PDA.

Dave added that the database has gone from just a management-tracking tool to a tool for the project managers doing the work. He noted that The American Public Works Association has notified Staff that the City has been selected to receive their national management innovation award for this project, to be presented in September in Atlanta.

Chair Campos said that she was very impressed at how far the team had come from just having everything on a hard copy to the public having access electronically.

Councilmember Reed stated that there is a lot of savings for a lot of organizations involved and wanted to know if it was being quantified.

Dave replied that they have begun working on that with the budget office. Wandzia added that the cost avoidance piece is a factor and that Staff can take a look at what the functionality projections were versus what the costs have been to date.

Chair Campos requested an informational memo on that; and, an informational memo to Council regarding the award that Staff will be receiving.

Upon motion of Councilmember LeZotte, seconded by Councilmember Reed, the Committee accepted the staff report.

- d. Redevelopment Agency Disposition and Development Agreements (Auditor) – Deferred to the Next Fiscal Year Workplan
- e. Workforce Investment Network Service Delivery and Development Agreements (Auditor)

Jerry Silva, City Auditor gave an overview of the Silicon Valley Workforce Investment Network Audit (SVWIN) that Staff was asked to look at by the Mayor's office due to a budget shortfall in one program last year of which \$762,000 was carried over into this year. Additional progress has been made this year with a residual amount left of \$537,383. Another thing that was looked at was the circumstances that occurred that caused the problem. Various controls and procedures have been put into place to prevent this from recurring in the future. WIN staff has focused on those actions and felt that what was put into place was reasonable and sufficient and has been reassured that, by the end of this month, the remaining shortfall will be resolved and recommended that this be reported to Council at that time. Other recommendations were made to ensure that new procedures developed are kept current and are adjusted as any operational threats occur and are used to train new and current staff. The last recommendation was to continue to provide management oversight to ensure compliance with those new procedures. Another issue identified by WIN staff in the audit was that the overhead cost had not been budgeted adequately. There was an assumption the City would impose an administrative overhead charge that turned out to be \$129,000 more than was budgeted. There is about a \$700,000 reserve that can be used to offset most of it and Staff is talking to the State of California regarding reclassifying some of the administrative program expenses.

Councilmember LeZotte wanted to know a little more about the reserve being used to pay for the overrun.

Jeff Ruster, Deputy Director Economic Development answered that some of the reserve has gone for this and there has been some relief from the state in terms of moving around about \$15,000 and some administrative savings in other areas as well and will be able to report to Council on this in June.

Councilmember Reed wanted to know if the next year's allocation would be received late as well; that it's not something within their control.

Jeff replied that Staff plans for a worst case scenario and make their board aware, who is fully involved in the process.

Councilmember Reed wanted to know if there was any recourse if Staff did not agree with the City's figures.

Jeff replied that this is 100% federally funded and under their guidelines, the amount must stay at 10% for administration. Currently, the City is charging 18.11%.

Councilmember Reed stated that there is bound to be a problem with the discrepancy in percentages.

Jeff replied that other areas are cut back on. Kay added that it is a common problem with grant-funded programs.

Councilmember Reed asked if San Jose people were overenrolled in the re-tech training program and if so was it now under control.

Jeff replied that there had previously been no process in place and now there is an electronic system wherein vouchers cannot be issued without appropriate Staff being aware of it. The program, although very successful, has since been closed mainly due to the budget shortfall.

Chair Campos wanted to know if there was any way to address the problem of spending extra money due to not receiving information in a timely manner.

Kay suggested that Scott explain when and how the overhead information gets out to the departments.

Scott explained that Finance does four separate overhead budgets and another challenge is Staff reductions of 12% in the last three years, mostly in accounting where those specialized functions are done. Grant overhead is based on actual activity and not on the budget. The challenge is when there is a change in activity.

Councilmember Reed wanted to know why there must be four separate overhead budgets.

Scott replied that there has to be one for the budget and that the state and federal government does not allow budget based overhead rates. The FAA also requires a separate one and Staff is now doing one that is capital based.

Councilmember Reed wanted to know if those programs are helping fund the costs.

Scott replied that they were to the extent that there is a cap and that is the issue.

Chair Campos asked Jerry, regarding the measures and controls that have been put in place, when Council will be receiving an informational memo on how they are working.

Jerry replied they would do that in June.

Jennifer Carlino, Mayor's Office Council Agenda Manager asked if an informational report can be provided to Council a year from now to ensure that procedures are still working.

Jerry agreed to add this to the work plan for next year.

Scott added that he wanted to commend Paul Krutko, Economic Development Director and some of the Finance staff for the work they've done to address some of these issues. Paul volunteered to work with the Finance staff to get these controls and procedures put into place.

Chair Campos concurred.

Upon motion of Councilmember Reed, seconded by Councilmember LeZotte, the Committee accepted the staff report.

- f. School Crossing Guards Audit (Auditor) – Deferred until June
- g. Follow-up on Effectiveness of Current City and RDA Community Outreach (City Manager/RDA) – Deferred until June
- h. Oral Petitions
None
- i. Adjournment
The Committee was adjourned at 3:40 P.M.

Councilmember Nora Campos, Chair,
Making Government Work Better Committee